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BUSINESS *REVIEW*

Of the Making of Many Books

Philadelphia Office Buildings in 1960

Bank Earnings in 1959



FEDERAL RESERVE BANK OF PHILADELPHIA

OF THE MAKING OF MANY BOOKS



PREFACE

Johnny can't read, and his parents don't read—or so it is alleged. Then why is book publishing such a robust business?

Last year about 15,000 new books and new editions appeared on the market. People spent over a billion dollars for a huge stack of books close to a billion copies high. Surely, not all of these books were bought for mere cultural adornment of homes or to raise Johnny's chin above the top of the dining table when he goes visiting.

Over half of the people on the interurban on their way to work have their noses in the morning paper; most of the others sit with their faces in neutral; three or four will be reading a book. Yet the book business is flourishing—not exactly booming, but flourishing. Book production is on the increase; sales are rising; more publishers are entering the business, and some are making money.

Book publishing has been called "the industry that capitalism forgot." But the industry is no longer a stranger to Wall Street. Mergers are in the headlines; privately owned companies are offering stock to the public, and old-line publishers are expanding with the aid of capital raised through new stock offerings.

For all that, book publishing is a singular industry. It is listed in the Census as a manufacturing industry but it does very little manufacturing. It feeds many presses but does very little printing. It pays millions in royalties but supports few authors. The industry is a strange mixture of specialization and diversification, of old firms and new, of big concerns and little, of modern methods and antiquated. There is no "average" publisher or an average output or average profits or an average reader. The industry defies the law of averages and thrives on inconsistencies. Its structure is complicated; its distributor system is loose-jointed, and its customers are fickle.

Book publishing is an art, a craft, and a gamble. As a business it is easy to get into, hard to stay in. It's a curious calling—an altogether amazing industry, fearfully and wonderfully put together but somehow it works.

CHAPTER 1

A SMALL BUT SIGNIFICANT INDUSTRY

The book business belongs to the family of industries called Printing and Publishing. Over-shadowed by both newspaper and periodical publishing, book publishing is not a large industry judged by conventional measures of size.

The dollar value of annual output is only a fraction of 1 per cent of the national income. All of the industry's employees could be seated in a football stadium with room to spare. The total payroll is not particularly impressive and the industry consumes but a small proportion of the output of the paper manufacturers.

Yet no one would question the importance of the industry founded on Gutenberg's invention of movable type. By its very nature the book publishing industry makes an inestimable contribution to our cultural and educational advancement for the enrichment of our lives in innumerable ways. As an integral part of the free press, the industry serves the public by facilitating the expression of ideas—good and bad, conventional and controversial—on subjects of every conceivable kind.

Each year the industry puts out an astonishing variety and volume of books. For a comprehensive summary we shall have to be content with the 1957 record, the latest available, shown in the table. In that year publishers sold over 800 million copies for more than \$900 million.

Textbooks held first place in dollar sales, and

encyclopedias were a close second. The two together accounted for over half of the sales revenue. The book clubs did almost \$100 million of business, and sales of both juveniles and paperbacks exceeded \$50 million each.

In physical volume, paperbacks ranked first, as might be expected, but it may be surprising to find that juveniles outnumbered textbooks. The three classes together accounted for well over half of the total number of copies sold. Adult trade books are literature for the general reader—the stock-in-trade of the bookstores and book sections of department stores.

CHAPTER 2

THE MULTITUDE OF PUBLISHERS

Publishers are about as numerous as the fish in the sea, and as diverse in size as sharks and shiners. *Publishers' Weekly*, in its January 1960 Annual Summary issue, lists 382 publishers, each of which issued five or more books last year. To this must be added another group of small and less active publishers numbering in excess of 400 enterprises. The University presses

SALES OF BOOKS BY PUBLISHERS, 1957 (In millions)

Category	Number of copies	Dollar receipts
Textbooks (including workbooks)	158.5	\$259.5
Encyclopedias	58.3	223.7
Book Club books	67.0	98.1
Business, technical, and scientific books*	21.7	73.7
Adult trade books	32.3	67.0
Juvenile books	166.9	57.9
Paperbacks	240.2	52.6
Bibles and other religious books	51.3	44.1
University Press books (excluding textbooks)	2.0	5.9
Other books	23.5	36.5
Total	821.7	\$919.0

*Including law and medical books (except textbooks).

Source: Frazer, Robert W., "Economic Development in Publishing," *Library Trends*, Vol. 7, No. 1, July 1958.

issue scholarly works primarily but not exclusively. Books are also published by religious bodies, professional and technical societies, foundations and public service institutions, and other nonprofit organizations that nevertheless make some inroads on the publishers that are in business for profit. There is yet another type of publishing known as "cooperative," "subsidy," or "vanity" publishing where the author instead of the publisher assumes the risks. These houses publish graduate theses, local histories, genealogies, and manuscripts of too limited appeal to interest the commercial publishers.

If publishers of all kinds and shades are taken into consideration, the total runs in excess of 1,200 enterprisers. It is the 800, however, that are the risk-assuming, royalty-paying publishers which make up the industry in the commonly accepted sense of the term. Of these, the upper half put out 90 per cent of the new books. Some indication of their diversity in size is shown in the table.

NEW TITLES AND NEW EDITIONS IN 1959 BY SIZE OF PUBLISHER

Size of publisher	Number of publishers	New books published
100 or more titles	32	5,381
50 to 99 titles	46	3,207
25 to 49 titles	67	2,292
5 to 24 titles	237	2,586
	382	13,466

Source: Publishers' Weekly, Vol. 177, No. 3, January 18, 1960.

In the top bracket are the large corporate concerns, 32 in number, each of which published 100 or more books and together accounted for over a third of the total output. Among the very largest are familiar names such as Doubleday, Harper, McGraw-Hill, Macmillan, and Prentice-Hall. Most of the big publishers put out a diver-

sified line of books and some of them also publish periodicals and operate book clubs.

With so many publishers in the field, you would expect the business to be very competitive—and it is. Despite recent mergers, the five largest companies together produce only 12 per cent of the output. The industry is a "free-for-all." Anyone can enter the competitive arena, where survival depends upon a lot of know-how and some luck, but many have failed to make the grade. Indeed, book publishing is one of the best surviving examples of classical competition.

Publishing is an urban industry and New York City is its unchallenged center. Most of the large concerns are located there, as well as many of the smaller firms, and some of the leading publishers with headquarters elsewhere have a New York office. The major attraction of New York is an abundance of skilled workers, authors, agents, editors, copy editors, designers, printers, proofreaders, illustrators, advertisers, and the whole gamut of technical skills indispensable to publishing. Although New York has a "half nelson" on the publishing industry, the industry is well represented in other leading cities such as Boston, Philadelphia, Baltimore, and Chicago.

Philadelphia has about a score of book publishers, including some well-known, old-line houses. Lippincott, which leads the local publishers in number of titles published last year, traces its origin to the late 18th century. Saunders, and F. A. Davis specialize in medical books, as does Lea and Febiger which was founded in 1785 and has the distinction of being the oldest publishing house in the country. Winston publishes a variety of books with, however, considerable specialization in textbooks. According to a recent announcement, the company is merging with Rinehart and Holt. Chilton,

a publisher of periodicals, now has a rapidly growing book division, including a varied line of textbooks, trade books, and books on arts and crafts. Philadelphia has long been a medical and Bible publishing center but the trend is toward greater diversification.

CHAPTER 3

JUST WHAT DOES A PUBLISHER DO?

Publishing is to "make public," that is, to make available the words and pictures created by an author and duplicated by the printers. The book publishers' work falls into three major categories: first, making a list; that is, selection of the manuscripts. Second, getting the books manufactured; and, third, getting the books sold.

Making the list

The publisher is obviously in business to make money, so it is very important to select manuscripts that will sell when they appear in book form. Authors, or would-be authors, are even more plentiful than publishers, so there is seldom a shortage of manuscripts.

With respect to books intended for the general reader, most manuscripts reach the publisher through an intermediary—the literary agent. He knows the publishers, their likes and dislikes, and knows his way around the manuscript market. Sometimes, however, the publisher has a hunch and seeks an author to write a particular kind of book. A large publisher, as publishers go, may have several thousand manuscripts submitted to him in the course of a year.

The manuscripts are submitted to a group of expert readers who pass judgment on the quality—the marketability. Those selected by the readers are submitted to the editorial board, over which the editor-in-chief presides. He must have that

indefinable flair, intuition, or whatever it takes to determine what the public will buy.

When a manuscript is accepted, the publisher enters into a contract with the author specifying royalty payments, publication date, and related details. In some instances the author is requested to make alterations, minor shifts in emphasis here and there, or major surgery if the piece is too long. Advice to the author may be specific or it may be general—like the publisher who returned to a name author his latest manuscript with a notation: "Too good not to be made perfect."

In making his list, the publisher usually endeavors to obtain a balanced line. It would be unwise, for example, to have two biographies of the same hero or to go too heavy on fiction. The publisher's list often looks like a literary smorgasbord consisting of biography, fiction, textbooks, medical books, travel books, juveniles, etc.

Books in the making

Before manufacturing begins, the publisher's copy editor prepares the manuscript for the printer with detailed instructions as to type of paper, typography, margins, captions, illustrations—all the myriad details that the author of a first manuscript never dreamed about.

Publishers no longer do their own printing; they farm it out to job printers. Modern high-speed presses are very expensive and require an investment that most publishers gladly avoid. Formerly when publishers had their own print shops they were sometimes tempted to accept inferior manuscripts against their better judgment to keep the presses operating at capacity. Printing is for printers; publishers have enough problems of their own.

Binding is the physical job of bookmaking, which most publishers also farm out to concerns

that specialize in this type of work. Like printing, binding is a separate business which has undergone considerable mechanization and can be performed best by specialists.

Selling books

Selling a book is the hardest part of publishing. This is well expressed by Sir Stanley Unwin's paraphrasing of a German poem: "To write books is easy, it requires only pen and ink and ever-patient paper. To print books is a little more difficult because genius so often rejoices in illegible handwriting. To read books is more difficult still, because of the tendency to go to sleep. But the most difficult task of all that mortal man can embark upon is to sell a book."

For books in the general field of literature, selling begins long before the book is ready for sale. Salesmen on the road bring to the attention of the trade the publisher's forthcoming books, and on the basis of advance orders and early reception the publisher must decide how many copies are to be printed—a decision which has to be made in advance of the actual printing and bookmaking. In making the decision, the publisher is also guided by the reception of the reviewers to whom advance copies have been sent.

Books reach their readers in different ways, depending on the type of book and the particular market for which it is intended. Consequently, major channels of marketing may be observed along with an analysis of the major types of books published.

CHAPTER 4

TRADE BOOKS

Trade books are a heterogeneous assortment of fiction and nonfiction for adults and constitute the heart of the publishing industry. Prior to the

appearance of paperbacks and book clubs, trade books were hard-cover books sold primarily by the country's bookstores, or the book departments of department stores.

The publicity that best sellers get may give the impression that trade books are easy to sell. On the contrary, trade books are just about the hardest thing in the world to sell because there are so many titles and so few stores.

Trade books are the most prolific in the number of new titles and new editions appearing each year. Last year, for example, publishers brought out 2,437 new books and new editions in the category of fiction alone. Heading the list of best sellers was Leon Uris' "Exodus," a story of the making of modern Israel. Over 350,000 hard-bound copies were sold. The second best seller was Boris Pasternak's "Doctor Zhivago," with sales of over 200,000 copies; and third was James Michener's "Hawaii," with sales of close to 200,000 copies. The last on the ten-best-seller list of fiction was Robert Ruark's "Poor No More," with sales over 60,000 copies. Among all the authors and their publishers that didn't make the top ten there were mild and serious disappointments.

"Where in the [world] would you go to buy a book?"

The late Al Smith's classic remark summarizes another difficulty in selling trade books—the scarcity of book stores. It is hard to say just how many book stores there are because there is conflicting evidence. The American Book Trade Directory lists about 8,500 retail book stores; another source says about 1,450 by generous count; and the industry estimates about 500 adequately stocked book stores. This is in contrast with 6,000 cigar stores. It is quite apparent that it's easier to buy a cigar than a book.

The quest for profits

In the publication of adult trade books the quest for profits encounters numerous hazards. Costs have a way of creeping upward and the revenue from sales is unpredictable. It has been said that the returns in this branch of the industry are almost as irregular as those of a theatrical producer.

The difference between profit and loss in a publisher's general book department is often in the income from rights. Supplementary revenue is frequently derived from the sale of rights to inexpensive reprint publishers (paperbacks), to book clubs, and to magazines for serialization.

One of the most successful postwar publications was "The Egg and I." That humorous story about the chicken business appeared right after the end of World War II when paper was still scarce and the public, apparently relaxed from wartime strains, was ripe for a humorous piece. Sales began to soar like a homesick angel and the publisher was kept busy scrounging paper by the carload for the printers. Sales of the original publisher's edition plus book club sales went over 1½ million copies.

CHAPTER 5

PAPERBACKS STAGE A COMEBACK

Paperbacks, according to Bennett Cerf, are the greatest invention since corn flakes. Unlike trade books, paperbacks are reprints, for the most part, and are produced in pocket size on high-speed automated presses and binderies that turn them out at the rate of 12,000 an hour. They are distributed through a multitude of outlets like magazines, and sell for the price of a movie ticket or less. Publishers turned out 240 million in 1957, which yielded them a revenue in excess of \$50 million, and it is estimated that

last year's sales approximated 300 million copies. Paperbacks have been one of the fastest growing branches of the book business.

In the United States, paperbacks have a longer history than is generally realized. They first sprouted in the 1830's when magazines began serializing fiction, and soon thereafter issued whole novels in pamphlet format for newsstand sale. The next step was the issue of fiction, without separate wrappers, as newspaper supplements and magazine extras to permit distribution through the mail. This, the first wave of paperbacks, came to grief around 1845 when postal regulations imposed book rates on these "extras" and "supplements."

Paperbacks emerged again in the 1860's and precipitated an avalanche of "dime novels" like "Buffalo Bill," "Nick Carter," "Diamond Dick," and "Klondike Kid." The Westerns degenerated into cheap crime, detective, and mystery stories, although the works of some top-ranking authors like Dickens, Scott, and Thackeray were also included. Nevertheless, stern and none-too-discriminating parents forbade their children to read books without hard covers. The second wave of paperbacks, based largely on literary piracy with complete disregard for royalty payments, came to a sudden end in 1891 when America passed its first Copyright Act.

The current flood tide of paperbacks began with Mercury Books in 1937 and was refined by Pocket Books in 1939 when these firms began selling their paperbacks through magazine marketing channels to department stores, drug stores, and newsstands, thereby bypassing the regular book trade outlets. Shortages of paper, machinery, and labor held paperbacks in check during World War II. After the war, new firms entered the field and sales multiplied with the aid of "sexsational" covers in color and a multiplicity

of sales outlets. By 1950, paperbacks had about 100,000 outlets in such places as drug, candy, and variety stores, railway, bus, and airplane terminals, newsstands and, more recently, supermarkets. With so many retailers, a run-off of 200,000 copies of a title achieves a complete sellout if only two copies are sold at each outlet.

The success of paperbacks rests largely upon the huge number of outlets which permits mass production at low unit cost and a low selling price. The basic costs of producing a paperback are the manuscript or reprint rights, editing, typesetting, plate making, layout, and design. These costs remain nearly the same for a run of 5,000 or a quarter-million copies. Paper, printing, and binding are only a small percentage of the price of the book.

The popularity of paperbacks rests on their small size and low price. The 25-cent paperback, however, is on the way out because publishers of paperbacks have been facing ever-rising costs, the same as all other publishers. Reprint rights in particular have been rising. One publisher recently paid \$265,000 for the reprint rights of a popular hard-back novel.

Heretofore, paperback publishers "mined" the extant literature but with the approach of declining reserves some paperback houses are engaging authors to write a paperback and then arrange with a trade house to publish first a hard-cover edition which is then followed by the paperback edition. Instead of publishing "hidden originals," the publication of original fiction in paperbacks has also been tried, but all too often sales failed to catch up with costs. Paperbacks seem to do best when riding hard-cover editions "piggyback." Paperback publishers have also experimented with the simultaneous release of original fiction in hard-cover and paperback editions with some success.

"High-brow" paperbacks

And now paperbacks are going high brow and higher priced. As college and high school enrollments have grown faster than the financial resources of students and teachers, another market has opened. Higher grade paperbacks are eagerly serving this market. Titles are serious, scholarly, sometimes avant-garde. In contrast with the mass paperbacks, the quality paperbacks are printed on better paper, are bound in attractive covers, with modernistic design, are put out in smaller quantities, and sell at somewhat higher prices. Prices range from 85 cents to \$2.95 a copy, in contrast with a 35-cent to 90-cent price range for the mass-market paperbacks.

This time, paperbacks seem to have come to stay and they have already had a far-reaching effect on the book trade and the reading public. Today there are about 100 producers of paperbacks, including some University presses.

CHAPTER 6

BOOK CLUBS

A book club is just another way to sell books. It is, in effect, a mail order book store that uses Uncle Sam's 36,000 post offices to sell books that go directly from the printing presses to the doorstep of the customer. First in the field was the Book-of-the-Month Club, organized in the mid-twenties. Now there are about a hundred clubs and they sell annually about \$100 million worth of books to their more than 7 million members.

Some sell general literature after the pattern of the pioneer club and others restrict their selections to specialties—for example, classics, mysteries, travel, history, art, biography, religion, drama, or Irish literature. There are also

book clubs for juveniles.

Publishers were originally hostile to the book clubs, but this wore off as the clubs prospered and publishers gained financial advantage from the sale of reprint rights to the clubs of growing membership. Now a number of the clubs are owned and operated by the publishers. One of the big publishers operates 21 book clubs, and there are about a dozen firms that operate two or more clubs each. It is estimated that most of the book club business is concentrated in 70 clubs operated by 27 publishers.

Book clubs operate according to a fairly uniform pattern with, of course, minor variations. Preliminary screening of books is usually done by a special staff or outside readers, and final selection of books for adoption is made by either a committee or a staff editor. Arrangements are made with the publisher of the selected book for rental of plates on a royalty basis and the book is then published in the book club's own edition or the publisher's original edition. Royalties, which are split with the author, run from 5c to 15c a copy and are said to account for about half of the "subsidiary" income to publishers.

To build up membership, book clubs in their advertising stress the prestige in belonging to a club by pointing out that their members receive the best books culled by their staff of experts. They also lay stress on price appeal by offering books priced below that of the original edition (which they can do by reason of their large volume of distribution), and they also offer book "premiums" for joining and periodic book "dividends" as a reward to stay joined.

Operating a book club is not so easy as it may sound. Changing interests of subscribers result in a constant attrition of membership which requires a perpetual drive for replacements. Ulti-

mately the cost of extending membership may become prohibitive, the rate of rejections may become too high, and in the case of the highly specialized or limited club the supply of titles becomes exhausted. Despite outstanding successes of some of the leading clubs, book clubs have surprisingly high mortality—just another evidence that it's hard to sell a book.

CHAPTER 7

TEXTBOOKS NEED NOT BE DULL

Think back, if you can, to your school days. Remember your history book—black and white with a plain grey cover; the arithmetic book—black and white with a plain brown cover; the spelling book with columns of words in black and white and a plain buff cover. And you thought summer vacation would never come.

Not so with modern textbooks; they are bright and cheerful looking jobs, durably constructed, handsomely gotten up, beautifully printed, generously illustrated, and abound in bright colors including the covers. Even algebra has gone artistic.

The publication of textbooks, which include workbooks, is one of the largest and the fastest growing branches of the book industry. The big wartime jump in the birth rate created an expanding market for textbooks, first in the elementary schools, next in the high schools, and finally in the colleges. Yet, in accommodating the bulge in the school-age population, the budgeting for buildings has frequently left insufficient funds for books. Nevertheless, dollar sales of textbooks to elementary schools and high schools (known in the trade as "elhi" sales) have more than tripled in the postwar period, and sales of college textbooks have almost doubled. There are at least 75 textbook publishers, con-

sisting for the most part of the larger companies.

Textbook publishing has peculiarities of its own. The authors, though specialists in their respective fields, are frequently inexperienced writers; therefore there must be close cooperation between author and publisher. Unlike a trade book, a textbook with its diagrams, tables, illustrations, symbols, and special notation presents a more difficult job of make-up. The publication of textbooks also requires more capital than the publication of a trade book and that is why the larger companies predominate in the textbook field. A publisher may have a million dollars or more invested in an elementary series of six textbooks before the first sale is made. Besides, the marketing of textbooks is different.

In the marketing of "elhi" books, the customers don't do the buying and the salesmen don't carry order blanks. The publishers have roving salesmen, called "bookmen," who pound their beat from September to June, calling on the school authorities to stir up interest in the publisher's wares. The firm follows up with mailed promotion material and sample copies. The method of selection varies. Some states have uniform adoption where selections are made on a state-wide basis; others use the so-called "multiple list" in which each school district makes its choice from a list of perhaps a half-dozen different textbooks; still others use the "open list" where each school district selects textbooks without any restrictions. The sales that follow are made on a wholesale basis.

College textbooks are sold in a somewhat different way. The publisher's representatives, known as "travelers," call on the college professors to acquaint them with the books suitable for texts in their courses. The professor makes the selection and his students buy the books

from the campus book store, which may or may not be operated by the college. On their rounds, the travelers are on the alert for manuscripts, particularly among the authorities in their respective fields.

The textbook market is alluring. It is large, sure, and growing. By 1970, elementary school enrollment is estimated to increase by more than one-fourth, high school enrollment by more than half, and college enrollment almost double. But there will be plenty of competition among the textbook publishers already in the business to which others no doubt will be attracted.

CHAPTER 8

WHAT'S THE ANSWER?

Knock, knock! "Who's there?" "The encyclopedia man." That's one of the oldest ways of selling books, and the salesmen who canvass their territory and sell encyclopedias by subscription do a good job. Publishers' sales of encyclopedias and related reference books hold second place in dollar volume of annual sales, ranking just below textbooks.

Encyclopedias are the Cadillacs of the book trade. They usually come in sets from 10 to 30 volumes, and sell from \$60 to \$600 a set. William Jovanovich, in "The Structure of Publishing," says the publishing of reference books is "an altogether mysterious pursuit." He points out that whereas trade books are the products of amateurs and textbooks are the products of amateur-specialists, encyclopedias are the products of pros.

The authors are top-ranking authorities in their respective specialties. An unbelievable amount of work goes into the publication of an encyclopedia, and the finished product is in most instances a scholarly work of the highest order

and good bookmaking. The publisher of an encyclopedia may run off 100,000 to 400,000 copies and tie up an immense investment in advance of sales. In this business there are about 20 firms of considerable size, with smaller firms frequently appearing and disappearing. About 90 per cent of the business, however, is accounted for by a half-dozen major publishers. Revising and keeping an encyclopedia up to date presents a major problem. The editor of the Britannica said some time ago that the yearly editorial budget runs over \$1½ million and a complete revision runs \$5 million to \$10 million.

CHAPTER 9

ONCE UPON A TIME

One of the fastest growing branches of the book business is children's books. The dollar volume of juvenile books is now three times what it was at the beginning of the postwar period, and the number of children's books published each year is exceeded only by paperbacks.

From the appearance of John Cotton's "Milk for Babes, Drawn out of the Breasts of Both Testaments," in 1646, which was the first children's book published in this country, down to the second half of the 19th century the Puritan strain dominated children's books. Mark Twain in his "Tom Sawyer," published in 1876; "carried realism across the tracks," in the words of one authority on children's books. Some of the other writers of his period whose books brought joy to the hearts of children were Louisa May Alcott, Joel Chandler Harris, Thomas Bailey Aldrich, and Kate Douglas Wiggin. The full potentialities of the market for children's books, however, was not appreciated until the decade of the 1920's. The first department devoted to the production of children's books was established

in 1919 by one of the leading publishers and others were quick to follow. Women play a prominent role not only as authors but also as editors of children's books.

Juvenile books now gross about \$60 million annually and there are about 100 publishers either specializing in children's books or with specialized juvenile departments. Children's books yield from one-third to two-thirds of the total revenue of some of the leading book publishing concerns.

One of the basic reasons for the rapid growth in publication of juveniles in the postwar period is, of course, the rapid growth of the child population. Contributing factors have been the growth of school libraries, the improved quality and attractiveness of books, the greater awareness of parents and schools of the need and value of books for children, the prosperity of the times, mass production and distribution of attractive and inexpensive books, and more research in children's preferences in books.

In the course of a year the juvenile editor of a publishing house may receive as many as 1,000 manuscripts, most of them unsolicited. For inexpensive juvenile books, authors usually receive a lump sum payment ranging from \$100 to \$500 a manuscript, and for the higher priced juveniles the customary royalty is 10 per cent of the retail price.

How juvenile books are sold depends upon the price. Children's books fall into two categories—those that retail at a dollar and over and those that sell for less than a dollar. The principal outlets for the juvenile books that sell at a dollar and up are the book stores, book sections of department stores, and the schools and public libraries. Teachers and librarians are the biggest buyers. Their purchases account for about 85 per cent of the total. The principal outlets for juvenile books

selling for less than a dollar are supermarkets, drug stores, newsstands, variety stores, candy and stationery stores, mail order houses, and also the regular book channels.

Unlike most adult best sellers that shoot up across the sky like a comet and then disappear, an established juvenile book may sell 15,000 copies or more each year over many years. The publication of children's books is faced by the problem of rising cost of production, finding good manuscripts, and producing books that appeal to both the children that read them and the librarians, teachers, or parents who buy them. The most favorable prospect for this branch of the industry is its rapidly growing market.

CHAPTER 10

PUBLISHING IS MARKET RESEARCH IN ACTION

All industries engage in market research to increase the sale of their products, and in the process some industries meet with more success than others. What distinguishes the book publishing industry is not that it engages in market research but that it *is* market research in action.

For the publisher, market research begins with the selection of the manuscript, and it ends with the return of the remainders—the unsold books. (No motor manufacturer takes back the cars the dealers can't sell.) Ocean-bound garbage scows have been used to assist publishers in the process of inventory liquidation.

Selecting a manuscript is like betting on a horse, only the stakes are higher. No one really knows why one book sells better than another, not even the experienced publisher. There is nothing to account for the reader's taste, and it changes from time to time. In books, as in apparel, there are styles and fashions. For a time

there may be a fad for books about the Civil War, then travel books or biographies may come into popularity. "Do-it-yourselfism" created a demand for the how-to books. At the manuscript-selecting stage of publishing, about the best the publisher can do is to navigate by the seat of his pants and hope that in the making of his list he will have books which when they appear on the market will win, show, or place.

The acceptance of a book is also influenced by how it is gotten up—its design, the paper, the typography, the binding, the jacket, the advance advertising it receives and what the reviews say about it. The final test, however, comes when the book hits the market. If it is a trade book with \$5,000 of the publisher's money invested in it up to that point, it is a \$5,000 market research project. If it is a textbook or a reference book with a half-million-dollar investment, the publisher has embarked on a half-million-dollar research project. If the book goes over better than the publisher had expected, he orders additional printings; if he overestimated the market, he has gained more experience.

Publishers are forever striving to improve the effectiveness of their market research. In the field of textbooks, one publisher has invested a million dollars in a new elementary textbook series with a minor mystery on every page designed to stimulate thinking. Another has developed an inventory control plan for his dealers in which day-to-day reports of sales are fed into computers that yield accurate estimates of the potential of each book on the company's list. Along with an enlarged force of salesmen making more frequent calls on the book stores, the company sees that the retailers' shelves are well-stocked with fast-selling items.

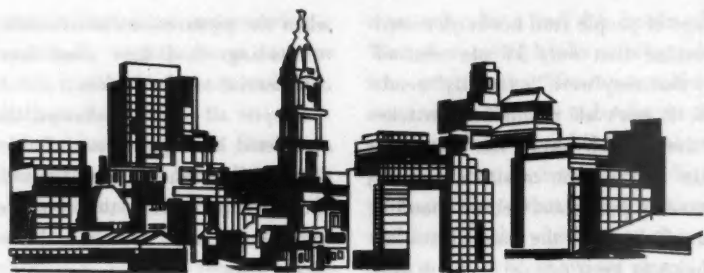
Publishers know very well that one of their major difficulties in marketing books is that only

a small percentage of people read books. A recent Gallup poll revealed that only 17 per cent of adults could say that they were "currently" reading a book. No, it can't all be blamed on television because the English have "tele" too and in Great Britain half of the adults are book readers. In fact, some publishers believe that TV helps more than it hinders the sale of books. TV, they say, helps to keep people at home and

when the pictures are uninteresting, people turn to reading. And they don't have to read the commercial on the jacket.

Despite all of its handicaps, the industry just completed its biggest year of sales. The number of publishers who entered the industry last year exceeded the number that withdrew, and people who like to read welcome the publishers' new spring lists.





PHILADELPHIA OFFICE BUILDINGS IN 1960

*More "Elbow Room" Favors Expansion and "Trading Up" to
Better Quarters.*

From the end of World War II until the mid-nineteen fifties commercial space in central Philadelphia office buildings could be described by just one word—tight. And it was much too tight for comfort. Some tenants wanting to expand found themselves stalled; others desiring more modernized facilities quickly discovered that next to nothing was being offered. Little new construction had been completed in this period and several companies had taken over entire buildings for their own use, thus reducing the supply of commercial space on the rental lists.

This situation, however, was completely reversed when a postwar office-building program began paying off a year or so later. Beginning with 1956, new space in downtown skyscrapers came on the market at a somewhat faster rate than it could be absorbed. The pace accelerated in 1957 and successive large increases in newly

created space came in each of the following two years.

Office building space is at an all-time high

By early 1960, total commercial space in center city office buildings had reached the record-high level of almost 11.8 million square feet. There now was "elbow room" and some to spare, with the rental lists of building managers offering a choice of space unequaled in nearly two decades. About 75 per cent of the space added from 1956 through 1959 was in four brand new office buildings. The remainder was created by the conversion of five existing buildings that had been originally designed for purposes other than business or professional offices.

Some additional space came on the rental market in the closing years of the 1950 decade

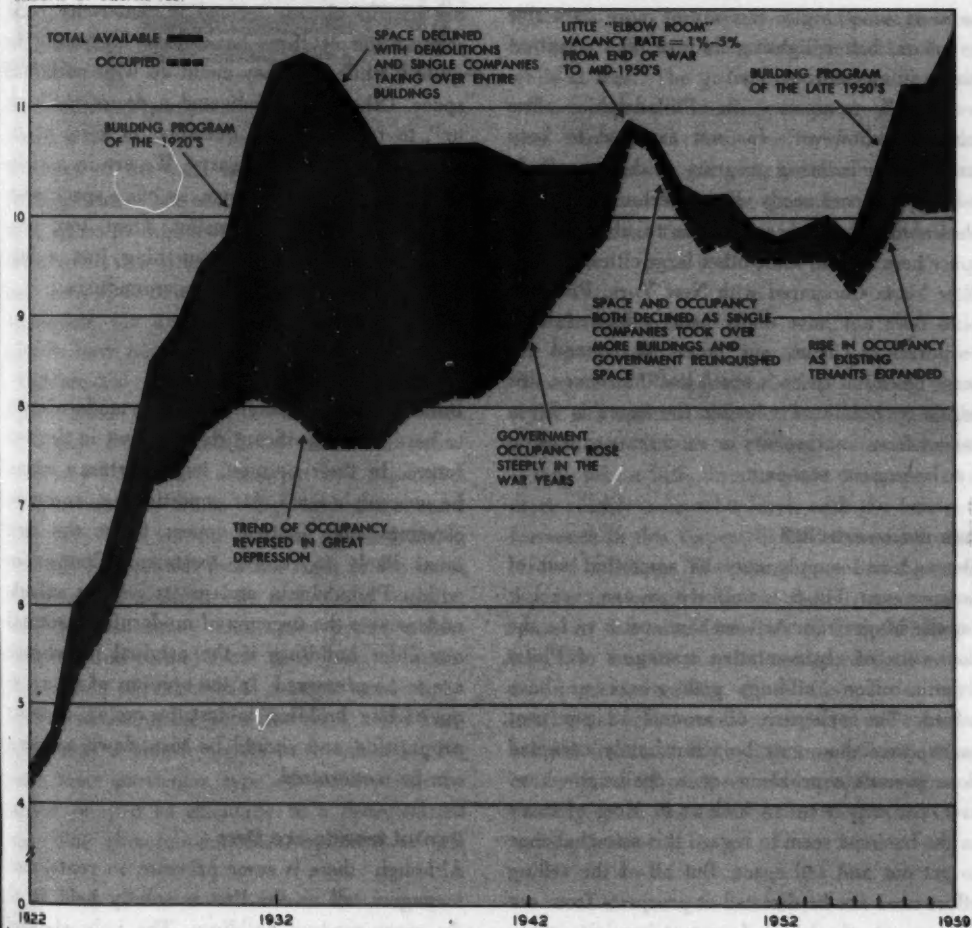
when a number of companies and State employees moved into their own newly completed buildings. These moves also had an appreciable impact on occupancy since they created vacancies in existing buildings which had to compete with all the new space resulting from the building program.

The rise in occupancy has tapered off

During 1956 and 1957 occupancy showed pronounced increases, very nearly matching the rate at which new space was coming on the market. Since then, however, the trend has become relatively static. An occupancy rate of around 90

COMMERCIAL SPACE IN PHILADELPHIA OFFICE BUILDINGS

MILLIONS OF SQUARE FEET



per cent is generally regarded as pretty much necessary to assure a satisfactory earnings picture for office buildings. At present, over-all occupancy is running a little under the 90 per cent mark. It is considerably higher than that in the most modern, up-to-date buildings. Occupancy has become a real problem mainly in older buildings which have not been given even a "face lifting" in some years. Many of them seem to need something in the way of more attractive exteriors, better lighting fixtures, and improvements in elevator service.

Over-all occupancy in Philadelphia office buildings, however, was not expected to keep pace with a building program of the magnitude recently experienced. Past performance has shown that it takes more time to absorb office space here than in some other large cities, notably New York. Compared with New York, Philadelphia does not have many head offices of large corporations. Thus, our potential demand for large blocks of space is much less. Moreover, this seems to hold true whether the space is for a tenant from another city or represents expansion by the present occupant.

Are we overbuilt?

Demand and supply may be somewhat out of balance now, but it is unlikely we are overbuilt for the longer run. At least that seems to be the consensus of representative managers of Philadelphia office buildings with whom we have talked. The existence of around 12 per cent more space than may be immediately occupied does present a problem—or a challenge—however you may want to look at it. Most of those in the business seem to regard this as a challenge to get out and sell space. But all of the selling effort need not be directed at prospects from out of town. On the basis of current inquiries, there

are some interested tenants right here who would like to expand.

Inquiries are more numerous

Interest in office space has shown encouraging improvement in recent months. For the most part, it concerns only small blocks—almost no really large areas. But inquiries are coming from many sources. Perhaps the best immediate prospects are tenants already located in center-city buildings. Some of them have been suggesting for quite a while that they could do with additional space. Others have indicated a desire to "trade up" to more modern quarters, in spite of the higher price tags they carry. We are in a rising phase of the business cycle, so office space needs may very well be increasing. Then, too, prosperity always calls for something just a little better in the nature of one's surroundings.

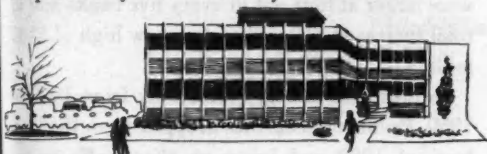
The pace of modernization is quickening

Building managers say they expect modernization to be a most significant development in the near future. In their opinion, its importance cannot be overemphasized. Air conditioning, automatic elevators, and lighting appear to be the main areas likely to receive treatment. Competition within Philadelphia and in its nearby suburbs underscores the urgency of modernizing some of our older buildings if the original investments are to be preserved. In the opinion of many, an out-of-date building is fast becoming a losing proposition and should be torn down unless it can be modernized.

Rental trends are firm

Although there is some pressure on rents, most managers tell us the line is solidly held in all the more modern buildings. The only signs of

weakness are in buildings that have not been kept up-to-date. Where the prospect of fixing up a property or reducing the rent must be faced, the accent usually is on the former measure. A reduction in the rental generally is regarded as income irretrievably lost, while there always is the possibility that a vacancy can be filled.



Suburban competition is still with us

Estimates of the total space in suburban office buildings run to one million square feet or a little more. Most of this is in new, modern buildings which offer strong competition with some older and less up-to-date facilities in Philadelphia. Arguments for and against a location in the suburbs have not changed much in recent years.

Outside the city there is no mercantile tax and for some employees the wage tax also does not apply. Parking facilities, while not necessarily any better, are somewhat less expensive. When it comes to traffic congestion, there seems to be very little choice. The city's best drawing card still is a central location right in the heart of industrial, commercial, and social activity. Also, because many employees prefer public transportation to and from their jobs, a center-city location offers access to a larger labor pool.

After weighing the pros and cons, some businesses may decide to locate in the suburbs, because their particular type of activity can be carried on just as efficiently in a decentralized area. The premium-collection agencies of life

insurance companies have been cited as a case in point. But most businesses seem convinced that a center-city location offers advantages not found in outlying areas.

Little new construction is in sight

No doubt some office building plans are on architects' drawing boards and more will be drafted this year. But, fortunately, office space in these buildings will not come on the market for a while at least. The years just ahead quite likely will see many old buildings modernized, few new ones constructed. And this may improve the whole occupancy picture, because modernizing usually creates little new space but it does offer the attractions that hold old tenants and draw new ones.

The outlook calls for optimism

Managers of Philadelphia office buildings generally are optimistic. Basically, they regard the current situation as a reasonably healthy one. It may take a little time to boost occupancy to a more readily acceptable level, with the best performance in this respect likely in new and modernized buildings. The expansion needs of present tenants are counted on to absorb some vacant space in the immediate future. For the longer run, new tenants may be needed, and this calls for a greater selling effort. Competition with nearby suburban areas is expected to continue but not intensify. With little new office building construction in prospect now, the absorption of existing space should have time to proceed in an orderly fashion.

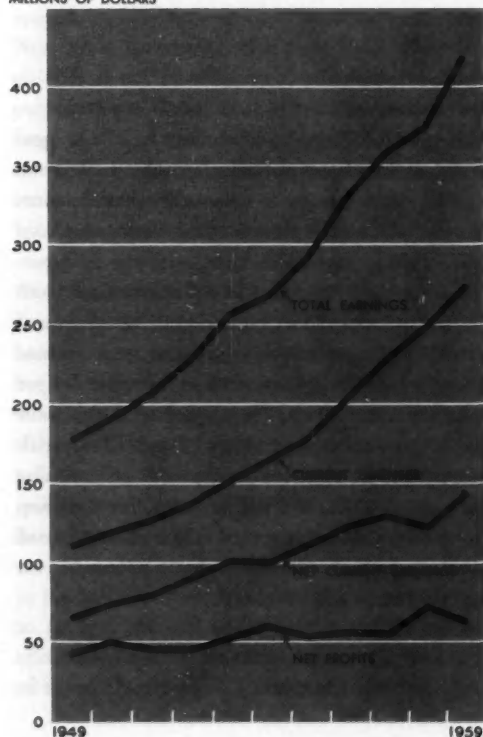
BANK EARNINGS IN 1959

Bank reports for 1959 reflect economic recovery, the heavier demand for bank credit, rising money rates and their counterpart—lower prices for fixed income obligations such as bonds. Figures for Third District banks show sharp expansion in loans, reduction in security holdings, and heavier borrowing from the Reserve Bank and other sources.

Earnings reports for the year as a whole confirm tendencies shown in first-half figures. With few exceptions, Third District member banks had larger total earnings than in 1958. The in-

EARNINGS, EXPENSES, AND PROFITS

Member Banks Third Federal Reserve District
MILLIONS OF DOLLARS



crease of \$43 million in the aggregate to \$419 million was due mainly to increased income on loans. Current expenses also increased, nevertheless net current earnings before income taxes were larger at four out of every five banks and in total increased \$19 million to a new high of \$145 million.

Adjustments changed materially from 1958 to 1959. Profits on securities dropped from the high level of 1958 and losses or charge-offs on securities were distinctly heavier. These changes were reflected in lower income tax payments, but net profits available for distribution declined to \$64 million, off \$8 million from 1958, but still about \$7 million more than in either 1957 or 1956. Despite this decline in the aggregate, half of the banks reported increases in net profits. Percentage changes in total earnings, in net current earnings, and in net profits were quite similar to those for member banks throughout the country.

MEMBER BANKS Third Fed. Res. District (Dollar amounts in millions)		1959*	Change from 1958#	
			Amount	Per cent
Earnings:				
On U.S. Gov't securities	\$ 68.8		+\$ 6.7	+11%
On other securities	25.3		+ .9	+ 3
On loans	264.0		+ 32.3	+14
All other	60.9		+ 3.0	+ 5
Total earnings	\$419.0		+\$42.9	+11%
Current expenses:				
Salaries and wages	\$113.6		+\$ 4.7	+ 4%
Interest on deposits	61.4		+ 5.9	+11
All other	99.3		+ 13.3	+15
Total expenses	\$274.3		+\$23.9	+10%
Net current earnings	\$144.7		+\$19.0	+15%
Recoveries, profits, and transfers from reserves	\$ 9.5		-\$15.9	-62%
Losses, charge-offs, and transfers to reserves	53.3		+ 20.5	+63
Taxes on income	36.8		- 9.2	-20
Net profits	\$ 64.1		-\$ 8.2	-11%
Cash dividends declared	42.2		+ 2.9	+ 8

* Preliminary tabulation.

Adjusted for mergers, etc.

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-20
-11%
+ 8

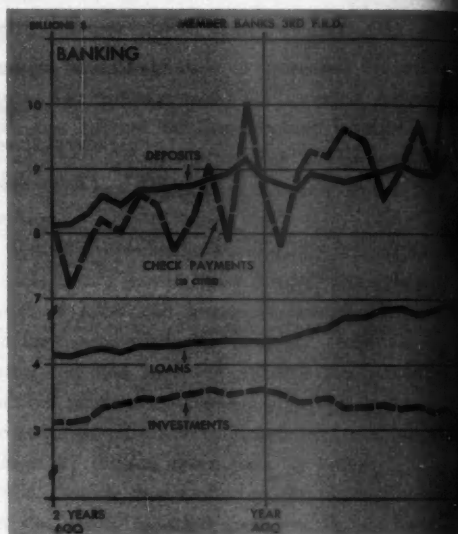
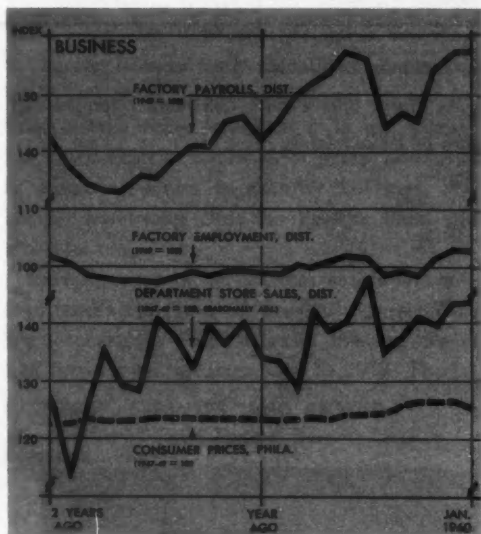
*Additional copies of this issue are available
upon request to the Bank and Public Relations Department,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pa.*

NEW PUBLICATION

Tight Money Comes to Maple Springs is a story of what could well have happened at any bank in these days of tight money. In the form of correspondence between a hypothetical bank and a Federal Reserve Bank, this pamphlet explains the impact of tight money on a commercial bank and the role of the Federal Reserve.

The pamphlet is a reprint of one originally written for the Pennsylvania Bankers Association by David P. Eastburn, Vice President of the Federal Reserve Bank of Philadelphia. Copies will be sent shortly to those on the mailing list of the Business Review.

FOR THE RECORD...



SUMMARY	Third Federal Reserve District		United States	
	Per cent change		Per cent change	
	Jan. 1960 from		Jan. 1960 from	
	mo. ago	year ago	mo. ago	year ago
OUTPUT				
Manufacturing production...	0	+4	+4	+12
Construction contracts...	-38	-24	-1	-5
Coal mining...	-5	-3	-2	+1
EMPLOYMENT AND INCOME				
Factory employment (Total)...	0	+4	0	+5
Factory wage income...	0	+10	...	...
TRADE*				
Department store sales...	+4	+7	-1	+6
Department store stocks...	0	+6	...	...
BANKING (All member banks)				
Deposits...	-4	0	-4	0
Loans...	-2	+11	-2	+12
Investments...	-2	-10	-2	-13
U.S. Govt. securities...	-3	-13	-2	-17
Other...	-1	-2	-1	-2
Check payments...	-14	+4	-12	+4
PRICES				
Wholesale...	...	...	0	0
Consumer...	-1	+2	0	+1

*Adjusted for seasonal variation.

†20 Cities

‡Philadelphia

LOCAL CHANGES	Factory*				Department Store†				Check Payments	
	Employment		Payrolls		Sales		Stocks			
	Per cent change Jan. 1960 from		Per cent change Jan. 1960 from		Per cent change Jan. 1960 from		Per cent change Jan. 1960 from		Per cent change Jan. 1960 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Lehigh Valley ..	- 1	+ 3	- 2	+ 16	....	....	....	....	- 7	....
Harrisburg	+ 1	+ 12	+ 3	+ 31	....	....	....	....	- 11	+ 1
Lancaster	0	+ 4	+ 3	+ 6	+ 6	+ 5	0	+ 8	- 2	+ 9
Philadelphia ..	0	+ 3	0	+ 10	+ 3	+ 8	+ 1	+ 8	- 14	+ 3
Reading	- 1	+ 4	- 3	+ 7	+ 7	+ 9	+ 2	+ 10	- 5	+ 4
Scranton	- 1	- 1	0	+ 3	- 2	- 4	- 3	0	- 11	- 7
Trenton	- 1	+ 7	0	+ 18	+ 5	+ 10	+ 7	0	- 3	+ 5
Wilkes-Barre ..	- 1	+ 4	0	+ 5	+ 9	+ 14	- 1	+ 15	- 11	- 1
Wilmington ..	+ 5	- 1	+ 7	+ 6	+ 3	+ 4	+ 2	+ 1	- 23	+ 1
York	0	+ 3	+ 1	+ 4	+ 1	0	- 3	+ 2	- 13	+ 1

*Not restricted to corporate limits of cities but covers areas of one or more counties.

†Adjusted for seasonal variation.

Check
Payment

Per cost
change
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from

mo. year
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-21 + 1

-13 + 1

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